

**EMMETSBURG
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2016

Table of Contents

Officials		1
Independent Auditor's Report		2-4
Management's Discussion and Analysis		5-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Position	A	13-14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19-20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	21-22
Proprietary Fund Financial Statements:		
Statement of Net Position	G	23
Statement of Revenues, Expenses and Changes in Fund Net Position	H	24
Statement of Cash Flows	I	25
Notes to Financial Statements		26-42

SUPPLEMENTARY INFORMATION

Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds	43
Notes to Required Supplementary Information – Budgetary Reporting	44
Schedule of Funding Progress for the Retiree Health Plan	45
Schedule of the District's Proportionate Share of the Net Pension Liability	46
Schedule of District Contributions	47
Notes to Required Supplementary Information – Pension Liability	48

Table of Contents
(Continued)

SUPPLEMENTARY INFORMATION (CONTINUED)	<u>Schedule</u>	
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	50
Capital Project Accounts:		
Combining Balance Sheet	3	51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	52
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	53
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		54-55
Schedule of Findings and Questioned Costs		56-59

Emmetsburg Community School District

Officials

NAME	TITLE	TERM EXPIRES
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Board of Education

(Before September 2015 Election)

B J Schany	President	2015
Rick Brennan	Vice President	2015
Tammy Naig	Board Member	2017
Rick Bird	Board Member	2017
Kim Campbell	Board Member	2017
Scott Kibbie	Board Member	2015
Kathleen Roethler	Board Member	2015

(After September 2015 Election)

Tammy Naig	President	2017
Rick Bird	Vice President	2017
Kim Campbell	Board Member	2017
Scott Kibbie	Board Member	2019
Ed Meyer	Board Member	2019
Pete Hamilton	Board Member	2019
Dan Chism	Board Member	2019

School Officials

Gary Richardson and Amanda Schmidt	Superintendent
Lisa Chapman	District Secretary/Treasurer



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report

To the Board of Education of
Emmetsburg Community School District
Emmetsburg, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District, Emmetsburg, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District as of June 30, 2016, and the respective changes in financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 43 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Emmetsburg Community School District's basic financial statements. We and other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2017 on our consideration of Emmetsburg Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Emmetsburg Community School District's internal control over financial reporting and compliance.

Schnur & Company, LLP

Fort Dodge, Iowa
February 25, 2017

EMMETSBURG COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Emmetsburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,061,268 in fiscal year 2015 to \$8,424,349 in fiscal year 2016, while General Fund expenditures increased from \$7,769,692 in fiscal year 2015 to \$8,183,368 in fiscal year 2016. This District's General Fund balance increased from \$1,508,748 at the end of fiscal year 2015 to \$1,749,729 at the end of fiscal year 2016, a 16.0% decrease.
- The fiscal year 2016 General Fund revenue increase was attributable to increases in local, state and federal revenue. The increase in expenditures was due primarily to increases in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Emmetsburg Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Emmetsburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which Emmetsburg Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (CONTINUED)

Fund Financial Statements (Continued)

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-1 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities June 30,		Business Type Activities June 30,		Total District June 30,		Total Change %
	2016	2015	2016	2015	2016	2015	June 30, 2015 - 2016
Assets							
Current and other assets	\$ 8,029	\$ 12,939	\$ 17	\$ 15	\$ 8,046	\$ 12,954	-37.89
Capital assets, net of accumulated depreciation	12,669	12,642	41	49	12,710	12,691	0.15
Total assets	20,698	25,581	58	64	20,756	25,645	-19.06
Deferred Outflows of Resources	580	558	20	20	600	578	0.00
Liabilities							
Long-term liabilities	11,036	16,139	116	100	11,152	16,239	-31.33
Other liabilities	90	83	-	-	90	83	8.43
Total liabilities	11,126	16,222	116	100	11,242	16,322	-31.12
Deferred Inflows of Resources	4,460	5,337	13	38	4,473	5,375	-16.78
Net Position							
Net investment in capital assets	5,660	5,222	41	50	5,701	5,272	8.14
Restricted	2,009	1,935	-	-	2,009	1,935	3.82
Unrestricted	(1,977)	(2,577)	(92)	(104)	(2,069)	(2,681)	22.83
Total net position	\$ 5,692	\$ 4,580	\$ (51)	\$ (54)	\$ 5,641	\$ 4,526	24.64

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's total net position decreased 24.6%, or approximately \$1,115,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$74,000, or 3.8%, over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$612,000, or 22.8%. This increase in unrestricted net position was primarily a result of the District's revenues exceeding expenses.

Figure A-2 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015:

Figure A-2 Changes in Net Position (Expressed in Thousands)								
	Governmental Activities		Business Type Activities		Total District		Total Change %	
	June 30,		June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015	2015 -	
Revenues:								
Program revenues:								
Charges for service	\$ 944	\$ 1,243	\$ 251	\$ 230	\$ 1,195	\$ 1,473	-18.87	
Operating grants, contributions and restricted interest	1,493	1,138	240	236	1,733	1,374	26.13	
Capital grants, contributions and restricted interest	162	-	-	-	162	-	0.00	
General revenues:								
Property tax	4,438	4,173	-	-	4,438	4,173	6.35	
Statewide sales, services and use tax	619	669	-	-	619	669	-7.47	
Unrestricted state grants	2,549	2,670	-	-	2,549	2,670	-4.53	
Unrestricted investment earnings	6	23	-	-	6	23	-73.91	
Other	596	20	-	-	596	20	2880.00	
Total revenues	10,807	9,936	491	466	11,298	10,402	8.61	
Program expenses:								
Governmental activities:								
Instruction	6,391	5,908	-	-	6,391	5,908	8.18	
Student support services	2,508	2,428	-	-	2,508	2,428	3.29	
Non-instructional programs	-	-	488	486	488	486	0.41	
Other expenses	796	698	-	-	796	698	14.04	
Total expenses	9,695	9,034	488	486	10,183	9,520	6.96	
Increase (decrease) in net position	\$ 1,112	\$ 902	\$ 3	\$ (20)	\$ 1,115	\$ 882	26.42	

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

In fiscal year 2016, property tax and unrestricted state grants accounted for 64.7% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for the business type activities revenue. The District's total revenues were approximately \$11.3 million, of which approximately \$10.8 million was for governmental activities and approximately \$500,000 was for business type activities.

As shown in Figure A-2, the District as a whole experienced an 8.6% increase in revenues and a 7.0% increase in expenses. The increase in expenses is related to negotiated salaries and benefits.

Governmental Activities

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-3						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
Total Cost of Services			Net Cost of Services			
		%			%	
		Change			Change	
	2016	2015	2015-2016	2016	2015	2015-2016
Instruction	\$ 6,391	\$ 5,908	8.2	\$ 4,250	\$ 3,956	7.4
Support services	2,508	2,428	3.3	2,504	2,293	9.2
Other expenses	796	698	14.0	341	403	-15.4
Total	\$ 9,695	\$ 9,034	7.3	\$ 7,095	\$ 6,652	6.7

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$944,187.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,548,032.
- The net cost of governmental activities was financed with \$4,438,112 in property and other taxes and \$2,548,840 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2016 were \$490,639, representing a 5.4% increase over the prior year, while expenses totaled \$487,510, a \$1,789 increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursement and investment income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIVIDUAL FUND ANALYSIS

As previously noted, Emmetsburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental fund as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,310,076 below last year's ending fund balances of \$8,040,980. The primary reason for the decrease in combined fund balance is the repayment of \$5,130,000 in General Obligation School Refunding Bonds.

Governmental Fund Highlights

- The District's General Fund financial position improved during the year. Revenues increased during the year in local, state and federal sources. In addition, expenditures in the General Fund decreased by approximately \$414,000. However, revenues exceeded expenditures allowing the General Fund financial position to increase.
- The Debt Service Fund balance decreased approximately \$4,905,000 from fiscal year 2015. The decrease is due to the repayment of refunding general obligation bonds in the amount of \$5,130,000.
- The Capital Projects Fund balance increased \$307 from fiscal year 2015. Fiscal year 2016 ended with a balance of \$1,235,912.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$(54,674) at June 30, 2015 to \$(51,545) at June 30, 2016, representing an increase of 5.7%. For fiscal year 2016, the District's non-operating revenue and expenses rose slightly.

BUDGETARY HIGHLIGHTS

Over the course of the year, Emmetsburg Community School District amended the budget one time to reflect under budgeted instruction expenditures.

The District's total revenues were \$2,013,191 more than total budgeted revenues, a variance of approximately 22.0%.

Total expenditures were more than budgeted by \$5,258,426.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction, non-instructional programs and other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested approximately \$12.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. (See Figure A-4). This represents a net increase of 0.2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$531,405.

The original cost of the District's capital assets was approximately \$19.1 million. Governmental funds account for approximately \$18.9 million, with the remainder of approximately \$200,000 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category.

Figure A-4 Assets, net of Depreciation (Expressed in Thousands)									
Governmental Activities			Business Type Activities		Total District		Total Change %		
June 30,			June 30,		June 30,		June 30,		
2016		2015	2016		2015	2016		2015	2015-2016
Land	\$	10	\$	10	\$	10	\$	10	0.00
Buildings		11,881		12,091		11,881		12,091	-1.74
Furniture and equipment		778		541		41		49	38.81
						819		590	
Total	\$	12,669	\$	12,642	\$	41	\$	49	0.15
						12,710		12,691	

Long-Term Debt

At June 30, 2016, the District had \$11,151,953 in total long-term debt outstanding. This represents a decrease of approximately 31.3% from last year (See Figure A-5). Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-5 Outstanding Long-term Obligations (Expressed in Thousands)			
Total District		% Total Change	
June 30,		June 30,	
2016	2015	2015 - 2016	
General obligation bonds	\$ 6,145	\$ 11,555	-46.82
Revenue bonds	865	995	-13.07
Other postemployment benefits	332	312	6.41
Early retirement	394	508	-22.44
Net pension liability	3,416	2,869	19.07
Total	\$ 11,152	\$ 16,239	-31.33

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)

In 2007, the District issued \$7,425,000 of general obligation bonds for building additions and remodeling. In 2014, the District issued \$5,130,000 in refunding general obligation bonds and \$1,615,000 in general obligation bonds for a new addition and remodeling of the elementary school. In 2015, the District issued \$995,000 in revenue bonds for the purpose of financing a portion of the costs of infrastructure projects.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Palo Alto County has advised the District its total taxable valuation will increase 3.5% for property tax collected in fiscal year 2017.
- The District has seen an increase in enrollment; however, the graduating class of 70 students will be replaced by an incoming class of 50 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Chapman, District Secretary/Treasurer, Emmetsburg Community School District, 205 King Street, Emmetsburg, Iowa 50536.

BASIC FINANCIAL STATEMENTS

EMMETSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business Type Activities	Total
Assets			
Cash	\$ 2,951,622	\$ 874	\$ 2,952,496
Receivables:			
Property tax:			
Delinquents	45,226	-	45,226
Succeeding year	4,079,658	-	4,079,658
Income surtax	530,890	-	530,890
Due from other governments	420,956	-	420,956
Inventories	-	15,546	15,546
Capital assets net of accumulated depreciation	12,669,460	41,204	12,710,664
Total assets	20,697,812	57,624	20,755,436
Deferred Outflows of Resources			
Pension related deferred outflows	579,945	20,412	600,357
Liabilities			
Accounts payable	71,258	22	71,280
Salaries and benefits payable	4,340	54	4,394
Accrued interest payable	14,703	-	14,703
Long-term liabilities:			
Portion due within one year:			
Early retirement	95,591	-	95,591
General obligation bonds	630,000	-	630,000
Portion due after one year:			
Early retirement	298,256	-	298,256
General obligation bonds	5,515,000	-	5,515,000
Revenue bonds	865,000	-	865,000
Net pension liability	3,299,565	116,134	3,415,699
Net OPEB liability	332,407	-	332,407
Total liabilities	11,126,120	116,210	11,242,330
Deferred Inflows of Resources			
Property taxes levied for subsequent year	4,079,658	-	4,079,658
Pension related deferred inflows	379,879	13,371	393,250
Total deferred inflows of resources	4,459,537	13,371	4,472,908

(Continued on next page)

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Exhibit A
(Continued)

STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business Type Activities	Total
Net Position			
Net investment in capital assets	\$ 5,659,460	\$ 41,204	\$ 5,700,664
Restricted for:			
Categorical funding	203,969	-	203,969
Management levy purposes	188,871	-	188,871
Student activities	105,471	-	105,471
School infrastructure	1,011,198	-	1,011,198
Physical plant and equipment	469,740	-	469,740
Debt service	30,093	-	30,093
Unrestricted	(1,976,702)	(92,749)	(2,069,451)
Total net position	\$ 5,692,100	\$ (51,545)	\$ 5,640,555

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Service		
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,913,284	\$ 638,770	\$ 788,289	\$ -
Special instruction	271,901	-	252,208	-
Other instruction	1,205,768	302,146	159,558	-
	<u>6,390,953</u>	<u>940,916</u>	<u>1,200,055</u>	<u>-</u>
Support services:				
Student	295,696	-	-	-
Instructional staff	84,651	-	-	-
Administration	773,186	-	-	-
Operation and maintenance of plant	1,001,443	-	-	-
Transportation	352,545	3,271	-	-
	<u>2,507,521</u>	<u>3,271</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	151,508	-	-	144,834
Long-term debt interest	351,787	-	-	17,356
AEA flowthrough	292,857	-	292,857	-
	<u>796,152</u>	<u>-</u>	<u>292,857</u>	<u>162,190</u>
Total governmental activities	<u>9,694,626</u>	<u>944,187</u>	<u>1,492,912</u>	<u>162,190</u>
Business type activities:				
Non-instructional programs:				
Food service operations	487,510	251,079	239,544	-
Total business-type activities	<u>487,510</u>	<u>251,079</u>	<u>239,544</u>	<u>-</u>
Total	<u><u>\$ 10,182,136</u></u>	<u><u>\$ 1,195,266</u></u>	<u><u>\$ 1,732,456</u></u>	<u><u>\$ 162,190</u></u>

Exhibit B

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business Type Activities	Total
\$ (3,486,225)	\$ -	\$ (3,486,225)
(19,693)	-	(19,693)
(744,064)	-	(744,064)
(4,249,982)	-	(4,249,982)
(295,696)	-	(295,696)
(84,651)	-	(84,651)
(773,186)	-	(773,186)
(1,001,443)	-	(1,001,443)
(349,274)	-	(349,274)
(2,504,250)	-	(2,504,250)
(6,674)	-	(6,674)
(334,431)	-	(334,431)
-	-	-
(341,105)	-	(341,105)
(7,095,337)	-	(7,095,337)
-	3,113	3,113
-	3,113	3,113
(7,095,337)	3,113	(7,092,224)

(Continued on next page)

EMMETSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

	Program Revenues		
	Operating	Grants,	Capital Grants,
	Charges for	Contributions	Contributions
Expenses	Service	and Restricted	and Restricted
		Interest	Interest
General Revenues:			
Property tax levied for:			
General purposes			
Capital outlay			
Debt service			
Income surtax			
Statewide sales, services			
and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net position			
Net position beginning of year			
Net position end of year			
See notes to financial statements.			

**Exhibit B
(Continued)**

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business Type Activities	Total
\$ 3,506,836	\$ -	\$ 3,506,836
365,120	-	365,120
566,156	-	566,156
540,388	-	540,388
619,210	-	619,210
2,548,840	-	2,548,840
5,813	16	5,829
55,066	-	55,066
8,207,429	16	8,207,445
1,112,092	3,129	1,115,221
4,580,008	(54,674)	4,525,334
\$ 5,692,100	\$ (51,545)	\$ 5,640,555

EMMETSBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	Assets	General	Capital Projects
Cash		\$ 1,484,079	\$ 1,116,805
Receivables:			
Property tax:			
Delinquent		34,175	3,507
Succeeding year		2,899,104	371,814
Income surtax		285,864	245,026
Due from other funds		-	22,475
Due from other governments		313,740	101,824
Total assets		\$ 5,016,962	\$ 1,861,451
	Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:			
Accounts payable		\$ 59,410	\$ 8,699
Due to other funds		22,475	-
Salaries and benefits payable		380	-
Total liabilities		82,265	8,699
Deferred Inflows of Resources:			
Unavailable revenues:			
Succeeding year property tax		2,899,104	371,814
Income surtax		285,864	245,026
Total deferred inflows of resources		3,184,968	616,840
Fund balances:			
Restricted for:			
Categorical funding		203,969	-
Management levy purposes		-	-
Student activities		-	-
School infrastructure		-	1,011,198
Physical plant and equipment		-	224,714
Debt service		-	-
Unassigned		1,545,760	-
Total fund balances		1,749,729	1,235,912
Total liabilities, deferred inflows of resources and fund balances		\$ 5,016,962	\$ 1,861,451

See notes to financial statements.

Exhibit C

Debt Service	Nonmajor	Total
\$ 19,309	\$ 299,299	\$ 2,919,492
5,392	2,152	45,226
508,740	300,000	4,079,658
-	-	530,890
-	-	22,475
5,392	-	420,956
\$ 538,833	\$ 601,451	\$ 8,018,697

\$ -	\$ 3,149	\$ 71,258
-	-	22,475
-	3,960	4,340
-	7,109	98,073

508,740	300,000	4,079,658
-	-	530,890
508,740	300,000	4,610,548

-	-	203,969
-	188,871	188,871
-	105,471	105,471
-	-	1,011,198
-	-	224,714
30,093	-	30,093
-	-	1,545,760
30,093	294,342	3,310,076

\$ 538,833	\$ 601,451	\$ 8,018,697
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**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2016**

Total fund balances of governmental funds (page 17) \$ 3,310,076

*Amounts reported for governmental activities in the
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 12,669,460

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 530,890

The Internal Service Fund net position is directly related to the governmental funds due to the types of services provided and are, therefore, included in the statement of net position under governmental activities. 32,130

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (14,703)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources	\$ 579,945	
Deferred inflows of resources	<u>(379,879)</u>	200,066

Long-term liabilities, including bonds payable, early retirement obligations, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(11,035,819)

Net position of governmental activities (page 14) \$ 5,692,100

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Governmental Funds

Year Ended June 30, 2016

	General	Capital Projects
Revenues:		
Local sources:		
Local tax	\$ 3,505,520	\$ 607,160
Tuition	890,977	-
Other	151,526	56,957
State sources	3,633,395	627,979
Federal sources	242,931	-
Total revenues	8,424,349	1,292,096
Expenditures:		
Current:		
Instruction:		
Regular	4,816,530	-
Special	271,901	-
Other	796,382	126,924
	5,884,813	126,924
Support services:		
Student	307,524	-
Instructional staff	5,449	79,202
Administration	789,022	-
Operation and maintenance of plant	600,543	29,799
Transportation	303,160	149,680
	2,005,698	258,681
Other expenditures:		
Facilities acquisition	-	518,546
Long-term debt:		
Principal	-	-
Interest and fiscal charges	-	-
AEA flowthrough	292,857	-
	292,857	518,546
Total expenditures	8,183,368	904,151
Excess (deficiency) of revenues over (under) expenditures	240,981	387,945

Exhibit E

Debt Service	Nonmajor	Total
\$ 549,792	\$ 201,541	\$ 4,864,013
-	-	890,977
17,356	302,648	528,487
16,364	5,603	4,283,341
-	-	242,931
583,512	509,792	10,809,749
-	192,512	5,009,042
-	-	271,901
-	287,511	1,210,817
-	480,023	6,491,760
-	-	307,524
-	-	84,651
-	11,117	800,139
-	64,133	694,475
-	20,777	473,617
-	96,027	2,360,406
-	-	518,546
5,540,000	-	5,540,000
337,084	-	337,084
-	-	292,857
5,877,084	-	6,688,487
5,877,084	576,050	15,540,653
(5,293,572)	(66,258)	(4,730,904)

(Continued on next page)

EMMETSBURG COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

Governmental Funds

Year Ended June 30, 2016

	General	Capital Projects
Other financing sources (uses):		
Transfers in	\$ -	\$ -
Transfers out	-	(387,638)
Total other financing sources (uses)	-	(387,638)
Change in fund balances	240,981	307
Fund balances, beginning of year	1,508,748	1,235,605
Fund balances, end of year	<u>\$ 1,749,729</u>	<u>\$ 1,235,912</u>

See notes to financial statements.

Exhibit E
(Continued)

Debt Service		Nonmajor	Total
\$	387,638	\$ -	\$ 387,638
	-	-	(387,638)
	387,638	-	-
	(4,905,934)	(66,258)	(4,730,904)
	4,936,027	360,600	8,040,980
\$	30,093	\$ 294,342	\$ 3,310,076

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2016**

Change in fund balances - total governmental funds (page 20) \$ (4,730,904)

***Amounts reported for governmental activities in the Statement of
Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 550,936	
Depreciation expense	(523,164)	27,772

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 5,540,000

Income surtax revenue not received until several months after the District's fiscal year-end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. (3,031)

The increase in the Internal Service Fund net position reflects an overcharge to governmental activities for the services provided. Expenses in the Statement of Activities are adjusted to reflect this overcharge. 32,130

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (14,703)

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 454,707

(Continued on next page)

EMMETSBURG COMMUNITY SCHOOL DISTRICT

**Exhibit F
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2016**

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$	114,527	
Other postemployment benefits		(20,595)	
Pension expense		(287,811)	\$ (193,879)

Change in net position of governmental activities (page 16)			\$ 1,112,092
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See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Exhibit G

STATEMENT OF NET POSITION

Proprietary Funds

June 30, 2016

	School Nutrition	Internal Service Fund
Assets		
Current assets:		
Cash	\$ 874	\$ 32,130
Inventories	15,546	-
Total current assets	16,420	32,130
Noncurrent Assets:		
Capital assets, net of accumulated depreciation	41,204	-
Total assets	57,624	32,130
Deferred Outflows of Resources		
Pension related deferred outflows	20,412	-
Liabilities		
Current liabilities:		
Accounts payable	22	-
Salaries and benefits payable	54	-
Total current liabilities	76	-
Noncurrent liabilities:		
Net pension liability	116,134	-
Total liabilities	116,210	-
Deferred Inflows of Resources		
Pension related deferred inflows	13,371	-
Net Position		
Net investment in capital assets	41,204	-
Unrestricted	(92,749)	32,130
Total net position	\$ (51,545)	\$ 32,130

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Exhibit H

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION

Proprietary Funds

Year ended June 30, 2015

	School Nutrition	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 251,079	\$ -
Employee contributions	-	92,899
	<u>251,079</u>	<u>92,899</u>
Operating expenses:		
Support services:		
Benefits	-	77,085
Non-instructional programs:		
Food service operations:		
Salaries	173,727	-
Benefits	51,308	-
Purchased services	614	-
Supplies	253,620	-
Depreciation	8,241	-
	<u>487,510</u>	<u>-</u>
Operating income (loss)	<u>(236,431)</u>	<u>15,814</u>
Non-operating revenues:		
State sources	3,981	-
Federal sources	235,563	-
Interest income	16	-
Total non-operating revenues	<u>239,560</u>	<u>-</u>
Increase in net position	3,129	15,814
Net position beginning of year	<u>(54,674)</u>	<u>16,316</u>
Net position end of year	<u>\$ (51,545)</u>	<u>\$ 32,130</u>

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Exhibit I

STATEMENT OF CASH FLOWS

Proprietary Funds

Year ended June 30, 2016

	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 251,079	\$ -
Cash received for employee benefits	-	92,899
Cash paid to employees for services	(234,829)	(77,085)
Cash paid to suppliers for goods or services	(232,420)	-
Net cash provided by (used in) operating activities	(216,170)	15,814
Cash flows from non-capital financing activities:		
State grants received	3,981	-
Federal grants received	212,920	-
Net cash provided by non-capital financing activities	216,901	-
Cash flows from investing activities:		
Interest on investments	16	-
Net cash provided by investing activities	16	-
Net increase in cash	747	15,814
Cash beginning of year	127	16,316
Cash end of year	<u>\$ 874</u>	<u>\$ 32,130</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (236,431)	\$ 15,814
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	8,241	-
Commodities used	22,643	-
Increase in inventories	(851)	-
Increase in accounts payable	22	-
Increase in accrued payroll	54	-
Increase in net pension liability	15,784	-
Increase in deferred outflows of resources	(732)	-
Decrease in deferred inflows of resources	(24,900)	-
Net cash provided by (used in) operating activities	\$ (216,170)	\$ 15,814

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2016, the District received \$22,643 of federal commodities.

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Emmetsburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Emmetsburg, Iowa and the predominate agricultural territory in Palo Alto County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For financial reporting purposes, Emmetsburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto County Assessor's Conference Board.

B. Basis of Presentation:

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

Government-wide Financial Statements (continued) –

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund account.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting:

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (in Years)
Buildings	50
Improvements other than buildings	20 - 50
Furniture and equipment	5 - 15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future year(s) and will not be recognized as an outflow of resources (expense/ expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year-end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized until the year for which it was levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures exceeded the amounts budgeted in the instruction, non-instructional programs and other expenditures functions.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Subsequent Events

Subsequent events have been evaluated through February 25, 2017, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 2. Cash

The District's deposits in banks at June 30, 2016 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities: certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, certain registered open-end management investment companies, certain joint investment trusts, and warrants or improvement certificates of a drainage district.

Custodial Credit Risk: The District has no policy in place regarding custodial credit risk and deposits with financial institutions; however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	General	\$ 22,475

The balance is to be repaid by June 30, 2017.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 387,638

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total capital assets not being depreciated	10,000	-	-	10,000
Capital assets being depreciated:				
Land improvements	8,320	-	-	8,320
Buildings	16,344,859	106,598	-	16,451,457
Furniture and equipment	2,229,035	444,338	193,434	2,479,939
Total capital assets being depreciated	18,582,214	550,936	193,434	18,939,716
Less accumulated depreciation for:				
Buildings	4,262,428	315,951	-	4,578,379
Furniture and equipment	1,688,098	207,213	193,434	1,701,877
	5,950,526	523,164	193,434	6,280,256
Total capital assets being depreciated, net	12,631,688	27,772	-	12,659,460
Governmental activities capital assets, net	\$ 12,641,688	\$ 27,772	\$ -	\$ 12,669,460
Business type activities:				
Furniture and equipment	\$ 182,990	\$ -	\$ -	\$ 182,990
Less accumulated depreciation	133,545	8,241	-	141,786
Business type activities capital assets, net	\$ 49,445	\$ (8,241)	\$ -	\$ 41,204
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instruction:				
Regular				\$ 164,170
Support services:				
Operation and maintenance of plant				322,062
Transportation				36,932
Total governmental activities depreciation expense				\$ 523,164
Business type activities:				
Food service operations				\$ 8,241

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 508,374	\$ 10,306	\$ 124,833	\$ 393,847	\$ 95,591
General obligation bonds	11,555,000	-	5,410,000	6,145,000	630,000
Revenue bonds	995,000	-	130,000	865,000	-
Net OPEB liability	311,812	20,595	-	332,407	-
Net pension liability - General	2,768,366	531,199	-	3,299,565	-
Total	\$ 16,138,552	\$ 562,100	\$ 5,664,833	\$ 11,035,819	\$ 725,591
Business type activities:					
Net pension liability	\$ 100,350	\$ 15,784	\$ -	\$ 116,134	\$ -

General Obligation Bonds

Details of the District's June 30, 2016 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2013 Series 2013A				Bond Issue of May 1, 2013 Series 2013B				Total	
	Interest	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Interest	Total
2017	0.60	\$ 200,000	\$ 9,975	0.60	\$ 430,000	\$ 78,240	\$ 630,000	\$ 88,215	\$	718,215
2018	0.80	200,000	8,775	0.80	435,000	75,660	635,000	84,435		719,435
2019	1.00	205,000	7,175	1.00	440,000	72,180	645,000	79,355		724,355
2020	1.15	205,000	5,125	1.15	445,000	67,780	650,000	72,905		722,905
2021	1.35	205,000	2,768	1.35	455,000	62,662	660,000	65,430		725,430
2022	0.00	-	-	1.60	465,000	56,520	465,000	56,520		521,520
2023	0.00	-	-	1.75	470,000	49,080	470,000	49,080		519,080
2024	0.00	-	-	1.90	480,000	40,855	480,000	40,855		520,855
2025	0.00	-	-	2.00	490,000	31,735	490,000	31,735		521,735
2026	0.00	-	-	2.10	505,000	21,935	505,000	21,935		526,935
2027	0.00	-	-	2.20	515,000	11,330	515,000	11,330		526,330
		<u>\$ 1,015,000</u>	<u>\$ 33,818</u>		<u>\$ 5,130,000</u>	<u>\$ 567,977</u>	<u>\$ 6,145,000</u>	<u>\$ 601,795</u>		<u>\$ 6,746,795</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-term Liabilities (Continued)

Revenue Bonds

Details of the District's June 30, 2016 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issued April 1, 2015			
	Interest Rate	Principal	Interest	Total
2017	2.00-2.50%	\$ -	\$ 14,087	\$ 14,087
2018	2.50-2.90%	135,000	26,488	161,488
2019	2.90-3.25%	140,000	22,770	162,770
2020	3.25-3.45%	145,000	18,384	163,384
2021	3.45-3.60%	145,000	13,526	158,526
2022	3.60-3.75%	150,000	8,325	158,325
2023	3.75%	150,000	2,813	152,813
		<u>\$ 865,000</u>	<u>\$ 106,393</u>	<u>\$ 971,393</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$995,000 of bonds issued in April 2015. The bonds were issued for the purpose of financing a portion of the costs of infrastructure projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to be approximately 25% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$971,393. For the current year, \$168,469 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$619,210.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provision:

- Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Note 7. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2016 were \$454,707.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the District reported a liability of \$3,415,699 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's collective proportion was 0.069137%, which was a decrease of 0.003197% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$254,205. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,607	\$ -
Changes of assumptions	94,043	-
Net difference between projected and actual earnings on IPERS investments	-	284,276
Changes in proportion and differences between District contributions and proportionate share of contributions	-	108,974
District contributions subsequent to the measurement date	454,707	-
	<u>\$ 600,357</u>	<u>\$ 393,250</u>

\$454,707 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (121,583)
2018	(121,583)
2019	(121,583)
2020	121,136
2021	(3,987)
Total	<u>\$ (247,600)</u>

There were no non-employer contributing entities at IPERS.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
Core plus fixed income	28 %	2.04 %
Domestic equity	24	6.29
International equity	16	6.75
Private equity / debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U. S. TIPS	5	1.91
Other real estate	2	6.24
Cash	1	(0.71)
Total	100 %	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 5,980,274	\$ 3,415,699	\$ 1,251,013

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – At June 30, 2016, the District reported payables to IPERS of \$0 for legally required District contributions and \$0 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

Note 8. Other Postemployment Benefit (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 92 active and 15 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefit (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District’s net OPEB obligation.

Annual required contribution	\$ 200,351
Interest on net OPEB obligation	7,795
Adjustment to annual required contribution	(52,138)
Annual OPEB cost	156,008
Contributions made	(135,413)
Increase in net OPEB obligation	20,595
Net OPEB obligation beginning of year	311,812
Net OPEB obligation end of year	\$ 332,407

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the District contributed \$135,413 to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 73,938	24.60%	\$ 247,852
2015	77,944	17.94%	311,812
2016	156,088	86.80%	332,407

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was approximately \$889,979 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$889,979. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,824,000 and the ratio of the UAAL to covered payroll was 18.4%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefit (OPEB) (Continued)

Actuarial Methods and Assumptions (Continued) - Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%. The ultimate medical trend rate is 6.0%. An inflation rate of 0.0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the 2006 Society of Actuaries Study.

The UAAL is being amortized at a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$292,857 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 11. Lease Commitments

The District leases copy machines and related equipment under a noncancellable agreement requiring monthly payments of \$2,739 and expiring in February, 2019. The District also leases computers under a noncancellable agreement requiring annual payments of \$60,438 and expiring June, 2017. The total future minimum rental commitment at June 30, 2016 is due as follows:

Year Ending June 30,	Amount
2017	\$ 93,546
2018	33,108
2019	19,313
	<u>\$ 145,967</u>

Total rent expense for the year ended June 30, 2016 was \$97,921.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

EMMETSBURG COMMUNITY SCHOOL DISTRICT

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN BALANCES - BUDGET AND ACTUAL -**

ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

Required Supplementary Information

Year ended June 30, 2016

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 6,283,477	\$ 251,095	\$ 6,534,572
State sources	4,283,341	3,981	4,287,322
Federal sources	242,931	235,563	478,494
Total revenues	10,809,749	490,639	11,300,388
Expenditures/Expenses:			
Instruction	6,491,760	-	6,491,760
Support services	2,360,406	-	2,360,406
Non-instructional programs	-	487,510	487,510
Other expenditures	6,688,487	-	6,688,487
Total expenditures/expenses	15,540,653	487,510	16,028,163
Excess (deficiency) of revenues over (under) expenditures/expenses	(4,730,904)	3,129	(4,727,775)
Other financing sources, net	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(4,730,904)	3,129	(4,727,775)
Balances, beginning of year	8,040,980	(54,674)	7,986,306
Balances, end of year	\$ 3,310,076	\$ (51,545)	\$ 3,258,531

See accompanying independent auditor's report.

Budget		Final to Actual	
Original	Final	Variance	
\$ 4,885,976	\$ 4,885,976	\$	1,648,596
4,181,221	4,181,221		106,101
220,000	220,000		258,494
9,287,197	9,287,197		2,013,191
1,312,000	6,200,000		(291,760)
2,900,000	2,900,000		539,594
460,000	460,000		(27,510)
1,209,737	1,209,737		(5,478,750)
5,881,737	10,769,737		(5,258,426)
3,405,460	(1,482,540)		(3,245,235)
995,000	(791,797)		(791,797)
4,400,460	(690,743)		(4,037,032)
6,226,371	6,226,371		1,759,935
\$ 10,626,831	\$ 5,535,628	\$	(2,277,097)

EMMETSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING Year Ended June 30, 2016

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budget expenditures by \$4,888,000.

During the year ended June 30, 2016, expenditures in the instruction, non-instructional programs and other expenditures functions exceeded the amount budgeted.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

**SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN**

(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b) %	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2010	July 1, 2009	\$ -	\$ 503	\$ 503	0.00	\$ 4,365	11.5
2011	July 1, 2009	-	486	486	0.00	4,423	11.0
2012	July 1, 2009	-	460	460	0.00	4,555	10.1
2013	July 1, 2012	-	503	503	0.00	4,625	10.9
2014	July 1, 2012	-	486	486	0.00	4,750	10.2
2015	July 1, 2012	-	460	460	0.00	4,165	11.0
2016	July 1, 2015	-	890	890	0.00	4,824	18.4

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year *
(In Thousands)

Required Supplementary Information

	2016	2015
District's proportion of the net pension liability	0.069137%	0.072334%
District's proportionate share of the net pension liability	\$ 3,416	\$ 2,869
District's covered-employee payroll	\$ 4,916	\$ 4,726
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.49%	60.71%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30, of the preceding year.

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last Fiscal Year *
(In Thousands)

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contributions	\$ 455	\$ 439	\$ 422	\$ 400
Contributions in relation to the statutorily required contributions	(455)	(439)	(422)	(400)
Contribution deficiency (excesss)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,092	\$ 4,916	\$ 4,726	\$ 4,614
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
\$ 370	\$ 304	\$ 289	\$ 280	\$ 254	\$ 227
(370)	(304)	(289)	(280)	(254)	(227)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,585	\$ 4,374	\$ 4,346	\$ 4,409	\$ 4,198	\$ 3,948
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information – Pension Liability Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2016

		Special Revenue Funds		
		Management	Student	
		Levy	Activity	Total
Assets				
Cash		\$ 190,679	\$ 108,620	\$ 299,299
Receivables:				
Property tax:				
Delinquent		2,152	-	2,152
Succeeding year		300,000	-	300,000
Total assets		\$ 492,831	\$ 108,620	\$ 601,451
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable		\$ -	\$ 3,149	\$ 3,149
Salaries and benefits payable		3,960	-	3,960
Total liabilities		3,960	3,149	7,109
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax		300,000	-	300,000
Total deferred inflows of resources		300,000	-	300,000
Fund balances:				
Restricted for:				
Management levy purposes		188,871	-	188,871
Student activities		-	105,471	105,471
Total fund balances		188,871	105,471	294,342
Total liabilities, deferred inflows of resources and fund balances		\$ 492,831	\$ 108,620	\$ 601,451

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule 2

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds**

Year ended June 30, 2016

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 201,541	\$ -	\$ 201,541
Other	288	302,360	302,648
State sources	5,603	-	5,603
Total revenues	207,432	302,360	509,792
Expenditures:			
Current:			
Instruction:			
Regular	192,512	-	192,512
Other	-	287,511	287,511
Support services:			
Administration	11,117	-	11,117
Operation and maintenance of plant	64,133	-	64,133
Transportation	20,777	-	20,777
Total expenditures	288,539	287,511	576,050
Change in fund balances	(81,107)	14,849	(66,258)
Fund balances beginning of year	269,978	90,622	360,600
Fund balances end of year	\$ 188,871	\$ 105,471	\$ 294,342

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule 3

Combining Balance Sheet
Capital Project Accounts

June 30, 2016

		Capital Projects		
		Statewide	Physical Plant	
		Sales, Services	and Equipment	
		and Use Tax	Levy	Total
Assets				
Cash		\$ 910,410	\$ 206,395	\$ 1,116,805
Receivables:				
Property tax:				
Delinquent		-	3,507	3,507
Succeeding year		-	371,814	371,814
Income surtax		-	245,026	245,026
Due from other funds		-	22,475	22,475
Due from other governments		101,478	346	101,824
Total assets		\$ 1,011,888	\$ 849,563	\$ 1,861,451
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable		\$ 690	\$ 8,009	\$ 8,699
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax		-	371,814	371,814
Income surtax		-	245,026	245,026
Total deferred inflows of resources		-	616,840	616,840
Fund balances:				
Restricted for:				
School infrastructure		1,011,198	-	1,011,198
Physical plant and equipment		-	224,714	224,714
Total fund balances		1,011,198	224,714	1,235,912
Total liabilities, deferred inflows of resources and fund balances		\$ 1,011,888	\$ 849,563	\$ 1,861,451

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule 4

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 607,160	\$ 607,160
Other	56,615	342	56,957
State sources	619,210	8,769	627,979
Total revenues	675,825	616,271	1,292,096
Expenditures:			
Instruction:			
Other instruction	-	126,924	126,924
Support services:			
Instructional staff	-	79,202	79,202
Transportation	147,180	2,500	149,680
Operation and maintenance of plant	-	29,799	29,799
Other expenditures:			
Facilities acquisition	495,454	23,092	518,546
Total expenditures	642,634	261,517	904,151
Excess of revenues over expenditures	33,191	354,754	387,945
Other financing sources (uses):			
Transfers out	(176,163)	(211,475)	(387,638)
Total other financing sources (uses)	(176,163)	(211,475)	(387,638)
Change in fund balances	(142,972)	143,279	307
Fund balances beginning of year	1,154,170	81,435	1,235,605
Fund balances end of year	\$ 1,011,198	\$ 224,714	\$ 1,235,912

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds****For the Last Ten Years**

	2016	2015	2014	2013
Revenues:				
Local sources:				
Local tax	\$ 4,864,013	\$ 4,151,847	\$ 4,101,816	\$ 4,804,314
Tuition	890,977	839,212	797,614	735,685
Other	528,487	561,852	502,244	538,985
State sources	4,283,341	4,160,186	3,970,652	3,233,767
Federal sources	242,931	222,856	175,100	158,092
Total revenues	\$ 10,809,749	\$ 9,935,953	\$ 9,547,426	\$ 9,470,843
Expenditures:				
Instruction	\$ 6,491,760	\$ 6,023,223	\$ 6,352,906	\$ 5,847,233
Support services:				
Student	307,524	151,161	128,653	131,655
Instructional staff	84,651	207,388	124,547	113,944
Administration	800,139	824,564	789,407	1,017,658
Operation and maintenance of plant	694,475	734,043	882,339	628,308
Transportation	473,617	355,860	325,612	324,910
Other expenditures:				
Facilities acquisition	518,546	857,765	2,017,929	77,955
Long-term debt:				
Principal	5,540,000	520,000	510,000	295,000
Interest and other charges	337,084	312,715	324,715	315,729
AEA flowthrough	292,857	295,234	284,616	274,948
Total expenditures	\$ 15,540,653	\$ 10,281,953	\$ 11,740,724	\$ 9,027,340

See accompanying independent auditor's report.

Schedule 5

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
\$ 4,442,179	\$ 4,703,990	\$ 3,978,174	\$ 3,423,513	\$ 3,383,861	\$ 3,398,214
553,095	554,305	622,257	526,469	523,733	633,127
385,512	351,788	443,839	520,078	623,551	457,340
3,444,045	2,965,239	2,853,067	2,994,369	3,052,031	3,013,420
239,463	406,710	591,221	207,734	175,351	268,678
\$ 9,064,294	\$ 8,982,032	\$ 8,488,558	\$ 7,672,163	\$ 7,758,527	\$ 7,770,779
\$ 6,022,312	\$ 5,372,167	\$ 5,126,954	\$ 5,257,437	\$ 4,910,987	\$ 4,405,024
129,653	151,860	146,684	96,885	148,500	140,130
128,593	118,157	112,846	124,117	139,135	154,341
680,932	676,563	841,842	636,551	727,436	1,128,369
587,437	555,165	534,434	635,801	820,937	736,696
353,840	346,661	302,779	337,369	354,098	370,009
69,924	108,727	573,135	3,635,450	4,632,841	340,564
280,000	270,000	260,000	245,000	235,000	125,000
256,600	267,400	277,800	287,600	297,200	3,688
272,363	297,748	296,572	252,057	245,750	240,007
\$ 8,781,654	\$ 8,164,448	\$ 8,473,046	\$ 11,508,267	\$ 12,511,884	\$ 7,643,828



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of
Emmetsburg Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Emmetsburg Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emmetsburg Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Emmetsburg Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-16 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emmetsburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Emmetsburg Community School District's Responses to Findings

Emmetsburg Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Emmetsburg Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schnur & Company, LLP

Fort Dodge, Iowa
February 25, 2017

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Part I: Summary of Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-16 Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation: We realize, that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: The District will continue to review and implement additional controls where possible.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Part III: Other Findings Related To Required Statutory Reporting:

III-A-16 Certified Budget: Expenditures for the year ended June 30, 2016 exceeded the amended certified budget amount in the instruction, non-instructional programs and other expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

III-B-16 Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-16 Travel Expense: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-16 Business Transactions: We noted no business transactions between the District and District officials or employees.

III-E-16 Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-16 Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

III-G-16 Certified Enrollment: We noted variances in the students reported to the Iowa Department of Education for October 1, 2015.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response: We will contact the Iowa Department of Education and the Department of Management as necessary.

Conclusion: Response accepted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Part III: Other Findings Related To Required Statutory Reporting (continued):

III-H-16 Supplementary Weighting: Variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response: We will contact the Iowa Department of Education and the Department of Management as necessary.

Conclusion: Response accepted.

III-I-16 Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

III-J-16 Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.

III-K-16 Categorical Funding: No instances of categorical funding being used to supplant rather than supplement other funds were noted.

III-L-16 Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,154,170	
Revenues/transfers in:				
Sales tax revenues	\$	619,210		
Other local revenues		56,615	675,825	
			<u>1,829,995</u>	
Expenditures/transfers out:				
Transportation		147,180		
Facilities acquisition		495,454		
Transfers to other funds:				
Debt service fund		176,163	818,797	
			<u>818,797</u>	
Ending balance		\$	<u><u>1,011,198</u></u>	

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Part III: Other Findings Related To Required Statutory Reporting (continued):

III-L-16 Statewide Sales, Services and Use Tax (continued): For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

III-M-16 Financial Condition: The District had an unrestricted deficit balance in its Enterprise, School Nutrition Fund in the amount of \$51,545.

Recommendation: The District should investigate alternatives to eliminate the deficits and return the fund to a sound financial position.

Response: The deficit is the result of adopting GASB 68. We have increased the meal prices charged and will continue to investigate alternatives in eliminating the School Nutrition Fund deficit.

Conclusion: Response accepted.